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Comptroller of the Currency  
Administrator of National Banks

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Washington DC 20219

**Conditional Approval #555  
November 2002**

October 21, 2002

Scott A. Coleman, Esq.  
Lindquist & Vennum, P.L.L.P.  
4200 IDS Center 80 South Eighth Street  
Minneapolis, Minnesota 55402

Re: Applications to relocate the main office of Merchants Bank, NA, La Crescent, MN to Onalaska, WI and to reduce its capital stock.  
Application Control Numbers: 2002-MW-07-0019 and 2002-MW-12-0143

Dear Mr. Coleman:

The Office Comptroller of the Currency (OCC) has reviewed the above applications to relocate the bank's main office from La Crescent, MN to Onalaska, WI and to reduce its permanent capital from \$3,620,000 to \$3,000,000. The bank proposes to effect the relocation and reduction in capital immediately after the opening of a new national bank affiliate in La Crescent and the purchase of certain of the bank's assets and assumption of certain of its liabilities by that affiliate. After a thorough evaluation of all data available to the OCC, we found that the applications met the requirements for conditional approval.

These approvals are granted based on the representations and commitments made in the application and by the bank's representatives. The approvals are subject to the following condition:

Subsequent to its relocation to Onalaska, WI, Merchants Bank, NA shall (i) give the Assistant Deputy Comptroller in the Minneapolis South Field Office at least (60) days prior written notice of its intent to significantly deviate or change from its business plan or operations and (ii) obtain the OCC's written determination of no objection before it engages in any significant deviation or change from its business plan or operations.<sup>1</sup>

This condition is a "condition imposed in writing by the agency in connection with the granting of any application" within the meaning of 12 U.S.C. § 1818 and, as such, is enforceable under 12 U.S.C. § 1818.

Until the relocation occurs, the OCC reserves the right to alter, suspend, or revoke preliminary approval should any interim development be deemed by the OCC to warrant such action.

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<sup>1</sup> If such deviation or change is the subject of an application filed with the OCC, no separate notice to the supervisory office is required.

The following requirements must also be satisfied prior to the main office relocation:

1. The bank must submit to the Minneapolis South Field Office for review and approval a complete description of the bank's final information systems and operations architecture as well as the information systems risk assessment and management plan. This should include a schematic drawing and discussion of the following items.

Vendor due diligence and contracts; electronic banking security mechanisms and policies; information systems personnel; internal controls; audit plans; and operation policies and procedures, including, but not limited to, vendor management, weblinking, customer authentication and verification, and business resumption contingency plans.

2. The bank must have performed an independent security review and test of its electronic banking platform. The bank must have this review performed regardless of whether the platform is operated in-house or by one or more third-party service providers. If the bank outsources the technology platform, it can rely on testing performed for the service provider to the extent that it satisfies the scope and requirements listed herein. The review must be conducted by an objective, qualified independent source (Reviewer). The scope should cover:

- All access points, including the Internet, Intranet, or remote access.
- The adequacy of physical and logical protection against unauthorized access including individual penetration attempts, computer viruses, denial of service, and other forms of electronic access.

By written report, the Reviewer must confirm that the security measures, including the firewall, have been satisfactorily implemented and tested. For additional guidance, see "The Internet and the National Bank Charter" booklet of the *Comptrollers' Licensing Manual*, pages 37-38, 74-75. This booklet may be found on the OCC's web site at [www.occ.treas.gov/netbank/letters.htm](http://www.occ.treas.gov/netbank/letters.htm).

3. The bank must have a security program in place that complies with the "Interagency Guidelines Establishing Standards for Safeguarding Customer Information" specified at 12 C.F.R. § 30, Appendix B.

Additionally, you are reminded that: (i) the shareholders must amend Articles of Association prior to relocating the main office; (ii) the bank must file its amended Articles of Association with the Midwestern District Licensing Unit prior to the effective date of the main office relocation; (iii) the bank must advise the Midwestern District Licensing Unit in writing in advance of the desired relocation date so that we may issue the necessary authorization letter, and (iv) if the change in location is not made within 18 months from today's date, the approval terminates automatically unless we grant an extension.

The OCC poses no objection to James Friedl serving as president and CEO for the relocated bank as proposed in the application. Additional executive officers must be selected prior to the relocation and the bank must obtain the OCC's determination of no objection prior to the relocation.

The OCC poses no objection to David H. Keller, Richard J. Pope, Scott K. Biesanz, Richard Mahoney, and Michael E. Spetz serving as directors for the relocated bank. The bank must obtain the OCC's determination of no objection prior to the relocation if additional directors are proposed prior to the relocation.

This conditional approval, and the activities and communications by OCC employees in connections with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or any officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

You should direct any questions to Senior Licensing Analyst Stephen A. Lybarger in our Midwestern District Licensing Unit at (816) 556-1860.

Sincerely,

**-signed-**

Alfred A. Phillips  
Senior Licensing Analyst

Enclosures: Minimum Policies and Procedures  
Standard Requirements